FINANCIAL NEWS

Sizzler gains help boost Collins' 3rd-quarter net income

LOS ANGELES—Collins Foods International has reported a 28% increase in net income for the third quarter ended Jan. 31, to $2.9 million on revenues of $76 million, compared to earnings of $2.2 million on sales of $73.4 million in last year's third quarter.

For the nine months ended Jan. 31, net income of $9.5 million was 30% higher than the $7.3 million reported for the comparable period in 1982. Nine-month revenues rose 11% to $246 million from $223 million last year.

Chairman and ceo James A. Collins said the company's 72% company-owned Sizzler family steakhouse subsidiary is developing new dining concepts, including the casual Lumber Camp restaurant in Houston, and a soul barbecue concept called Southside Barbeque Co. in Los Angeles.

"Our Sizzler subsidiary contributed a major portion of the increase in earnings," Collins said. "The continued strong performance of the restaurant chain reflects the continued favorable commodity prices, the increasing check average [to $6] and higher unit volumes."

Meanwhile, Sizzler Restaurants International Inc. president Thomas Gregory reported that earnings in the company were up 90% for its third quarter ended Jan. 31. Net income was $1,389,000 on revenues of $29,912,000, compared to a net of $732,000 on sales of $28,066,000 in the same period last year.

Sizzler's nine-month results showed net income up 119% to $4,210,000 vs. $1,922,000 in the same period last year. Revenues increased 16% to $96,164,000 from $83,258,000 for the first nine months a year ago.

Gregory reported that Sizzler paid an undisclosed amount to acquire eight of its units in the Chicago area from franchisees last December, seven of which are now company-operated and scheduled for remodeling. One unit remains franchised. The Sizzler president further announced final agreement has been reached with Gino's Inc. for the acquisition of 17 Rustler units, primarily in existing Sizzler markets, which will be converted to Sizzlers.

Collins said that financial results in the parent company's Australian Kentucky Fried Chicken subsidiary continued to be adversely affected by a substantial drop in the Australian currency exchange rate.

Domestic units offset the impact of the Australian setback with higher earnings over the prior year, despite a decrease in number of operating units, Collins said. That decrease came from the sale of Collins' KFC units in three market regions to KFC Corp. of Louisville, Ky.,

Collins also stated that the acquisition in January of Gusto Food Services Inc. of Salt Lake City for an undisclosed sum by the company's Collins Foodservice wholesale division would improve service to wholesale customers.

At the end of the third quarter Collins Foods operated 192 KFC stores and six Collins Foodservice distribution centers. Its Sizzler subsidiary operated 137 and licensed 302 units in 32 states and five countries outside the United States.

Food-service chain stock analysis table

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		Two Weeks Ended March 11							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin		Indicated Dvd. Rate		Last X-Dvd. Date	Last Fiscal Year		Current Ratio	Last Fiscal Year (Per Share)		Last Balance Sheet Date
					Change		52-Week						Last Fiscal Year					Latest P/E Ratio							Long Term Debt	Common Stock Equity	
Name	Symbol	High	Low	Close	Amt.	Pct.	High	Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days		Amt.	Pct.				Amt.	Yield		Revenue	Earnings				
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil.	—	$	$	—
Aca Los A Res	ALAR	7.50	6.00	6.25	-.88	-12.28	7.88	3.75	.41	-.58	.56	-3.21	.05	-.09 Q	-42.8	-29.0	.3	52.1	.00	.0	01-06-81	27.7	1.2	2.4	5.69	2.90	1081
Am Motor Inns	INN	30.63	28.75	29.00	-1.38	-4.53	31.38	14.75	-.11	.31	-3.38	12.92	2.10	.45 S	24.8	28.0	7.0	12.8	.25	.9	12-26-82	161.4	11.3	1.6	15.08	13.00	0782
ARA Services	ARA	42.00	40.00	41.25	1.25	3.13	42.00	23.63	.41	-.05	1.02	-77.78	3.43	-.36 Q	-9.4	-8.0	1.4	12.0	2.00	4.8	02-23-83	2805.6	38.9	1.1	22.39	44.25	0982
Assoc Hosts	AHST	20.75	16.88	20.75	3.50	20.29	20.75	5.00	1.43	5.10	-.49	16.40	.58	-.21 Q	-28.0	-17.0	2.2	38.4	.12	.6	03-04-83	78.6	1.7	1.6	6.60	7.58	0982
Beefsteak Char	BCS	9.63	8.63	9.00	.50	5.88	9.75	3.63	.45	.51	-3.40	1.18	.88	.26 F	41.9	34.0	3.6	10.2	.00	.0	00-00-00	86.2	2.1	1.2	1.49	3.09	1081
Bob Evans Farms	BOBE	28.00	27.00	27.25	-.75	-2.68	29.06	14.66	.05	-.41	-.96	24.66	1.09	-.03 N	-2.7	21.0	7.9	26.0	.30	1.1	01-18-83	173.4	13.7	1.7	.00	5.17	0482
Bonanza Intl Inc	BNZA	3.50	2.88	3.50	.63	21.74	3.75	1.25	-.07	2.18	3.59	-11.03	.11	3.44 F	NE	-55.0	2.3	31.8	.00	.0	00-00-00	24.1	-14.9	1.2	11.24	1.50	1281
Brock Hotel Cp	BHC	10.25	8.88	9.25	.13	1.37	17.50	7.50	.20	-1.11	1.72	-6.38	.39	-.15 F	-27.7	11.0	2.0	23.7	.10	1.1	12-13-82	165.1	7.1	1.2	11.01	3.90	1281
Calny Food	CLNY	14.25	13.25	13.75	.50	3.77	15.00	5.00	-.54	-.29	-5.46	-43.02	.74	.50 N	119.0	9.0	3.2	14.9	.20	1.5	01-27-83	37.0	1.2	.6	1.01	1.51	0282
Captain Crabs	CRAB	4.13	3.88	3.88	-.25	-6.06	4.13	1.00	.20	.08	-4.90	-23.14	.00	.00 F	NC	NC	.0	NE	.00	.0	00-00-00	.9	.0	7.0	.04	.22	0882
Carrols Develop	CRL	10.88	9.63	10.25	1.13	12.33	10.88	3.09	.56	-.26	4.44	-21.69	.44	.29 S	70.7	21.0	1.9	14.6	.07	.7	02-02-83	68.6	1.3	.6	6.55	4.00	0582
Chart House	CHHO	26.00	24.00	26.00	.88	3.48	28.13	17.25	.02	1.27	-1.74	-8.27	2.08	.05 F	2.4	13.0	4.9	12.5	.60	2.3	12-27-82	353.9	17.7	.9	14.53	10.14	1281
Chi-Chis	CHIC	25.50	23.13	23.38	-1.88	-7.43	26.88	8.28	-.60	-1.10	-.22	-5.37	.37	.18 S	60.0	26.0	11.1	48.7	.00	.0	12-20-82	14.9	2.1	3.1	.74	.82	0481
Ch Full O Nut	CHF	19.88	13.75	18.25	4.38	31.53	19.88	9.25	.60	1.40	12.70	-12.98	.34	-.07 S	-14.5	-11.0	1.4	44.5	.40	2.2	12-09-82	115.8	1.6	3.1	.43	5.97	0782
Churchs Fr Ch	CHU	37.13	34.88	36.88	1.63	4.61	40.75	25.00	.10	.37	-.12	25.52	3.28	-.24 F	-6.8	15.0	9.8	11.2	1.00	2.7	01-24-83	412.1	44.6	1.9	1.02	15.25	1281
Cindys Inc	CNDYC	3.38	3.25	3.38	.13	3.85	3.88	2.63	.17	.19	-.68	-26.44	-.06	1.37 F	NE	NE	-.6	NE	.00	.0	00-00-00	17.0	-.1	.0	7.17	.29	1281
Collins Foods	CF	24.25	20.00	22.00	2.25	11.39	24.25	8.91	.75	-.65	-1.48	.95	1.69	.53 N	33.3	16.0	3.2	10.4	.24	1.1	12-23-82	298.0	9.6	1.3	7.44	10.69	0482
Consul Corp	CNSL	14.13	13.38	13.38	-.63	-4.46	14.13	5.25	.19	-.67	-3.69	20.92	.00	-.12 S	-70.5	NE	.0	267.5	.00	.0	00-00-00	17.6	.0	.7	2.21	2.88	0582
Cracker Barrel	CBRL	23.75	21.75	23.75	3.00	14.46	23.75	8.25	.40	.33	2.42	-24.75	1.03	.18 S	17.8	19.0	3.7	20.0	.00	.0	00-00-00	35.4	1.3	1.9	5.35	6.69	0782
Dennys Inc	DEN	33.75	31.75	32.50	.38	1.17	36.88	19.84	.34	.03	-1.63	-24.41	2.47	.29 S	12.7	9.0	3.9	12.7	.64	2.0	03-04-83	955.7	36.8	1.4	15.81	15.02	0682
Dunkin Donuts	DUNK	20.75	19.88	20.50	-.63	-2.96	21.13	8.16	.70	1.17	1.53	-20.92	1.40	.20 Q	15.8	18.0	9.4	14.0	.24	1.2	02-07-83	71.3	6.7	1.2	12.87	15.97	1082
Frischs	FRS	17.25	15.50	16.13	-.63	-3.73	17.25	7.22	.16	-1.11	-2.22	-14.29	1.80	-.15 S	-8.7	14.0	3.8	10.3	.40	2.5	03-29-83	101.0	3.8	1.5	6.23	13.58	0582
Godfathers Pizza	GFPZ	19.75	17.63	18.00	-1.63	-8.28	20.63	9.63	-.51	-.58	-2.00	-21.45	.65	.65 F	NC	121.0	14.9	27.7	.00	.0	00-00-00	33.8	5.4	2.0	.76	1.01	1281
Hamburg Hamlet	HAMB	8.25	7.75	8.25	.50	6.45	8.25	5.00	.09	1.79	8.61	-6.67	1.35	.50 S	81.9	-8.0	3.2	7.4	.00	.0	00-00-00	31.6	1.0	.7	20.45	13.07	0382
Hardwicke	HAWK	1.13	.88	1.13	.25	28.57	3.13	.88	-2.05	2.41	5.90	-34.33	-2.22	-5.08 N	-336.8	-63.0	-11.4	NE	.00	.0	00-00-00	30.6	-3.5	1.4	18.38	8.12	0981
Hilton Hotels	HLT	47.00	43.25	44.13	-.63	-1.40	52.00	27.63	.22	-.27	-3.22	-.87	3.12	-1.10 F	-26.0	17.0	13.4	14.1	1.80	4.1	02-28-83	539.3	112.6	2.0	4.48	19.98	1281
Holiday Inns	HIA	41.50	36.88	40.38	3.38	9.12	41.50	23.75	.26	.44	-.29	3.79	2.50	-.18 F	-6.7	13.0	6.8	16.2	.84	2.1	03-14-83	1765.1	137.4	.8	20.99	25.33	1281
Holiday Inns A	HIA A	58.50	58.50	58.50	4.50	8.33	59.00	38.38	.11	.23	-3.49	.00	NA	NA	NA	NA	NA	NA	.00	.0	00-00-00	NA	NA	NA	NA	NA	NA
Horn & Hardart	HOR	28.25	26.50	27.38	.75	2.82	29.00	9.53	.12	.17	-6.29	38.08	.95	.05 N	5.5	30.0	2.7	28.8	.00	.0	09-27-82	166.1	4.5	1.7	11.45	6.30	1281
Hungry Tiger	HTIG	11.75	10.25	10.25	-1.38	-11.83	12.25	4.00	.36	-3.31	-1.67	-10.68	.78	-.01 Q	-1.4	8.0	3.8	14.9	.00	.0	11-15-82	55.9	2.1	.6	4.91	5.57	0882
Imperial Grp	IMT	1.88	1.75	1.81	.00	.00	2.06	1.50	-.72	-.72	-7.11	70.59	.24	.00 F	.0	2.0	2.0	7.6	.14	7.7	09-28-82	8462.9	171.0	1.1	.65	2.08	1081
Intl Dairy Queen	INDQ	28.00	27.00	28.00	1.00	3.70	30.00	9.75	.33	.69	-.55	-34.09	2.17	.45 F	26.1	37.0	6.3	12.9	.00	.0	00-00-00	98.6	6.2	1.1	11.23	6.32	1182
Int King Tab	IKNG	15.63	14.63	14.75	.00	.00	15.63	1.75	.94	-.44	-2.94	3.60	.33	1.00 S	NE	.0	1.4	22.7	.00	.0	10-09-79	36.6	.5	.3	4.09	3.77	0682
JBs Rest	JBBB	14.50	12.50	13.38	1.00	8.08	14.50	4.25	.46	-1.80	1.24	-23.84	.93	.27 Q	39.1	12.0	3.5	13.9	.16	1.2	02-07-83	45.1	1.6	.9	6.38	5.84	0982
Jerrico Inc	JERR	22.09	21.13	21.38	-.13	-.58	23.50	12.69	.35	-.06	-4.37	-4.73	1.40	-.16 S	-10.8	22.0	5.1	16.3	.12	.6	03-04-83	425.5	21.8	.9	2.91	8.99	0682
Kapok Tr Inns	KTI	5.38	5.13	5.13	-.25	-4.65	5.63	3.00	-.03	-.19	-5.60	-38.00	-.37	-.21 Q	NE	-46.0	-6.1	NE	.00	.0	00-00-00	11.4	-.7	2.5	1.36	5.45	0982
Kelly-Johnston	KEJO	15.13	12.88	14.75	-4.25	-22.37	24.50	9.34	-1.48	.35	3.18	-2.06	.59	.26 N	72.2	98.0	8.4	23.8	.00	.0	10-13-82	17.9	1.5	.9	.89	4.40	0382
Karcher Carl	CARL	25.50	21.75	24.00	2.00	9.09	25.50	7.31	.69	1.66	1.67	24.49	1.21	1.43 N	NC	17.0	3.4	16.8	.00	.0	02-16-83	200.6	6.9	1.9	5.15	6.67	0182
Lubys Cafe	LUB	31.88	30.00	31.50	.25	.80	32.59	20.41	-.03	1.55	4.25	-48.45	1.35	.20 Q	16.6	21.0	9.1	22.5	.48	1.5	03-07-83	127.3	11.6	1.9	.64	6.79	0882
Marcus Corp	MRCS	11.38	10.75	10.75	-.38	-3.37	11.38	5.38	.07	-.42	-6.48	-50.00	1.13	-.09 S	-7.3	3.0	5.7	9.4	.00	.0	08-24-81	103.8	5.9	.8	2.98	9.76	0582
Marriott Corp	MHS	59.75	57.00	57.88	.63	1.09	61.88	32.00	.24	.28	-6.97	-27.40	3.44	.24 F	7.5	28.0	3.7	16.8	.36	.6	03-21-83	2000.3	86.1	.9	23.23	16.12	1281
McDonalds Cp	MCD	69.88	65.38	68.00	2.50	3.82	69.88	40.53	.40	.30	-.23	13.55	5.00	.64 F	14.6	17.0	10.9	13.6	.88	1.3	10-15-82	2477.2	264.8	.5	15.35	22.73	1281
Morrison Inc	MORR	19.25	18.50	18.75	-.25	-1.32	19.88	8.63	-.11	-.18	-.41	-.33	1.16	.33 S	33.6	8.0	4.1	14.3	.36	1.9	01-03-83	364.3	15.1	1.4	2.95	7.90	0582
Mr Steak	MSST	4.50	3.50	4.13	.50	13.79	4.50	1.75	1.54	5.67	4.01	27.70	-.98	-1.24 Q	-539.1	-41.0	-2.7	NE	.00	.0	05-29-80	59.8	-1.6	1.1	4.26	3.76	0982
Nathans	NATH	2.00	2.00	2.00	.00	.00	2.50	.72	-.78	.33	-3.54	20.94	.03	.80 N	NE	NE	.6	20.0	.00	.0	09-09-82	16.7	.1	.5	.10	1.73	0382
Naugles	NAUG	23.75	21.75	21.75	-1.00	-4.40	23.75	7.03	.57	-2.20	-4.79	-5.43	.78	.87 S	NC	49.0	3.9	25.0	.00	.0	11-01-82	55.8	2.2	.4	8.04	2.73	0682
Oakbrook Cons	OKCO	15.00	14.50	15.00	.50	3.45	15.00	9.00	-.09	.22	-4.87	.00	1.74	-.83 N	-47.9	3.0	1.3	16.7	.32	2.1	12-29-82	133.4	1.7	.8	5.60	13.02	0981
Orange-co	OJ	5.38	5.00	5.00	.00	.00	9.25	4.38	-.22	-.20	2.19	-23.97	-.25	-1.69 Q	-156.4	-26.0	-.8	NE	.00	.0	02-22-82	74.0	-.6	1.3	13.28	4.63	0882
Peoples Rest	PEPL	9.50	8.25	8.38	-.75	-8.22	9.88	2.88	.21	.12	-4.35	-6.53	.19	.18 S	NC	78.0	13.8	46.5	.00	.0	00-00-00	5.8	.8	.5	.75	2.39	0682
Piccadilly Caf	PICC	18.13	17.75	17.88	.25	1.42	18.13	13.50	.38	-.05	-5.05	33.54	1.39	-.11 S	-7.8	12.0	5.9	13.8	.56	3.1	03-09-83	142.6	8.4	1.9	.00	7.29	0682
Pizza Inn	PZA	9.63	8.25	9.50	.00	.00	9.88	4.50	.32	2.37	.80	43.81	.50	-.17 N	-27.4	-8.0	1.0	21.1	.00	.0	00-00-00	133.5	1.4	.9	12.94	6.65	1281
Pizza Time Thea	CHKY	19.00	18.25	18.75	-.50	-2.60	32.50	14.25	-.34	-.19	-1.06	.80	1.27	.69 F	118.9	41.0	7.6	14.8	.00	.0	00-00-00	36.2	2.6	3.2	.81	7.87	1281
Ponderosa Sys	PON	21.25	19.13	19.25	-.63	-3.14	21.25	8.00	.63	-1.37	-5.30	-47.35	1.34	.66 N	69.4	-6.0	2.4	12.0	.33	1.7	03-04-83	353.9	8.5	1.0	13.32	11.23	0282
Ramada Inns	RAM	7.63	7.00	7.25	.25	3.57	7.63	4.25	.51	.14	-.14	-10.14	-.73	-.77 F	-925.0	-29.0	-3.6	NE	.00	.0	10-19-81	395.5	1.4	.6	18.98	6.03	1281
Restaur Assc	RA	9.00	7.00	8.88	1.63	22.41	9.00	3.25	.31	5.20	6.11	33.67	.97	-.32 N	-32.6	42.0	2.4	13.4	.00	.0	00-00-00	99.2	2.4	1.3	3.17	6.38	1281
Ryans Fam Steak	RYAN	29.50	23.25	29.50	6.75	29.67	29.50	6.16	.68	3.57	1.27	24.49	.65	.65 F	NC	75.0	10.2	45.4	.00	.0	01-20-83	7.9	.7	1.6	1.08	1.16	1281
Saga Corp	SGA	46.50	43.13	45.88	2.38	5.46	46.50	20.25	.12	.35	5.75	63.61	3.35	.78 S	25.2	41.0	1.9	11.9	.72	1.6	02-14-83	901.0	16.8	.9	8.51	17.72	0682
Sea Galley	SEAG	8.88	8.00	8.63	.63	7.81	10.63	5.50	.20	.42	.99	22.78	.02	-.66 F	-97.0	-11.0	.1	431.3	.00	.0	06-02-81	49.0	2.2	1.8	2.38	4.99	1281
Servico Inc	SRVI	15.75	14.50	15.75	1.25	8.62	15.75	7.03	.48	.84	5.22	-10.74	1.54	-.82 N	-43.6	61.0	3.5	14.9	.00	.0	07-09-82	126.4	4.4	1.1	50.99	5.46	1281
Shoneys Inc	SHON	25.25	23.34	25.25	1.72	7.30	25.25	10.50	.40	1.40	-3.64	31.27	.92	.15 F	19.4	21.0	5.3	27.4	.15	.6	03-11-83	268.7	14.8	1.0	1.48	3.77	1081
Skippers	SKIP	10.75	10.25	10.75	.50	4.88	10.75	4.50	.29	.24	-1.20	19.92	.72	-.01 F	-1.3	8.0	2.6	14.9	.08	.7	10-18-82	33.7	1.0	1.2	3.45	6.07	1281
Sonesta Hotel	SNSTZ	16.50	16.50	16.50	.00	.00	16.50	8.50	-.21	.22	1.25	-27.33	.94	-.70 N	-40.2	39.0	1.4	15.9	.20	1.2	06-25-82	145.0	2.1	.9	27.74	10.01	1281
So Hospitality	SHOS	6.00	5.50	5.50	-.50	-8.33	6.25	1.13	-.42	.42	-7.79	-29.85	.14	.19 S	NC	23.0	2.5	28.9	.00	.0	00-00-00	20.3	.5	1.0	2.29	-.20	0582
Steak n Shake	STAK	4.13	4.00	4.13	.00	.00	4.50	2.50	-.46	1.13	-3.19	20.45	.18	.12 F	200.0	-28.0	1.4	22.9	.00	.0	05-17-79	56.5	.3	1.2	4.60	2.60	0981
Victoria Stations	VSTA	8.38	7.75	7.75	-.50	-6.06	11.00	5.00	-.08	-.87	-7.59	-12.89	.35	-1.07 N	-891.6	-41.0	1.0	NE	.00	.0	09-19-79	123.4	1.2	1.0	7.67	10.49	0382
Wendys Intl	WEN	18.00	15.38	17.25	1.50	9.52	18.00	8.84	.65	-.55	1.49	-35.10	1.13	.12 F	11.8	18.0	7.3	15.3	.24	1.4	02-22-83	486.6	36.9	.6	2.56	5.27	1281
Webb Del E	WBB	13.88	12.63	13.88	.50	3.74	14.00	5.00	.50	1.92	-.28	18.44	-.11	.47 F	NE	-25.0	-.4	NE	.00	.0	11-07-80	414.8	5.3	1.1	16.12	13.25	1281
Winners Cp	WNER	14.13	12.66	14.13	.72	5.36	14.13	5.44	.25	3.03	-.87	29.47	.62	.12 F	24.0	7.0	2.6	22.8	.00	.0	03-10-83	72.7	1.5	.3	10.03	5.32	1281

KEY: NA—Not Applicable NC—Not Calculable NE—Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year
**—Other than a quarterly multiple resulting from a fiscal year change.*

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA 23261

FINANCIAL NEWS

Holiday Inns profit drops 45% in 1982

MEMPHIS—Holiday Inns Inc. reported a 44.7% drop in net income to $75.9 million on a 5.4% rise in revenues to $1.4 billion for 1982 compared to the previous year.

In the fourth quarter ended Dec. 31, the hotel, restaurant and casino company reported a 17% drop in profits to $10.8 million on a 2.9% revenues increase to $334 million compared with 1981's fourth quarter.

Income from continuing operations for 1982 was down 1.5% to $97.2 million but up 92% to $9.9 million in the quarter. Holiday Inns sold Delta Steamship Lines Inc., a shipping subsidiary, on Dec. 22. Delta's operating results combined with the loss on its sale, resulted in a loss for the company of $21.2 million.

Michael Rose, president and chief executive, said decisions to hold price increases below the inflation rate, selling off some hotels and Perkins restaurants and other actions decreased margins but should help Holiday Inns' earnings and returns "over the long term."

Average occupancy at company-owned hotels was up slightly in the fourth quarter and was flat for the year compared with 1981 occupancy. Hotel Group operating income was off in the fourth quarter mainly due to room pricing strategy.

Operating income in the fourth quarter was up in the Gaming Group and Perkins Restaurants Inc. Rose said customers traffic at Perkins, a coffee shop chain, improved in the fourth quarter.

EARNINGS REPORT

Company	Period	Period Ended	Total Sales*	% Change	Revenues*†	% Change	Net Income (Loss)*	% Change
Winners Corp.	3 mos. 12 mos.	12/31	$ 20.430 83.088	98.7 14.2			$664,000 2.164	44.0 45.4
Acapulco y Los Arcos	13 wks. 12 mos.	1/30 10/31	8.390 37.100				($270,000)	
Garcia's of Scotts.	13 wks. 12 mos.	4th qtr. 1/2			$ 6.457 25.668	41.8 119.6	(1.406) ($838,000)	
Sea Galley Stores	13 wks. 12 mos.	12/31	18.439 70.085	43.8 43.0			(1.374) ($358,000)	
Rob Evans Farms Inc.	13 wks. 39 wks.	1/28	48.653 141.740	3.5 8.2			3.761 10.448	(6.6) (3.8)
Brook Hotel Corp.	13 wks. 12 mos.	1/31			69.036 259.750	51.6 57.3	(1.422) 7.146	1.2
Chock Full o'Nuts	13 wks. 6 mos.	1/31	31.817 63.674	9.2 8.1			1.197 3.050	53.4 (26.1)

Source: *Company earnings reports*

**In millions*

†In cases where companies do not break out their total sales for all units, revenues are indicated instead. These generally consist of company-owned restaurant sales, franchise fees and rental incomes, royalties and operating income, as well as other miscellaneous incomes, such as interest income and gains on real estate and construction.

Taco Viva earns $1.9M on first public stock sale

POMPANO BEACH, Fla.—Taco Viva, operator of 44 Mexican-style fast-food restaurants in Florida and Georgia, has sold 440,000 shares of stock at $9 a share, the company's first public stock offering.

Nelson Futch, marketing vice president of the company, said the sale netted $1.9 million, which will be used for unit expansion.

Futch said Taco Viva plans to open 15 to 20 units this year, mostly in Florida. The company does not franchise.

Taco Viva stores are a mixture of mall, freestanding and in-line units. Many are in Florida malls with food courts.

For the six-month period ended Nov. 30, sales increased 17% over the previous year to more than $7 million. Net income rose 78% to 358,000.

Taco Viva is undertaking a new promotional campaign that emphasizes its food's low price, low number of calories and high nutritional value, Futch said. The slogan is: "Easy on the waistline as well as the wallet." The promotion begins this month with radio spots and point-of-sale materials. Television will be used later.

The restaurants offer fast-food items and dinnerplates such as the Super Sampler—taco, burrito, enchiladas, rice, beans and guacamole salad—for $3.75. The average ticket, including drinks, is $3.50.

Garcia's records $838,000 loss

PHOENIX—Garcia's of Scottsdale Inc., operator of 18 family-style Mexican restaurants in 10 states, has secured a $20.5 million line of credit to fuel chain expansion. The agreement with First Interstate Bank of Arizona provides $19.5 million of interim financing for restaurant construction on a revolving basis and $1 million for general working capital purposes.

Finalization of the credit agreement followed within days the posting by Garcia's of results for the fiscal year ended Jan. 2, showing a net loss of $838,000 on revenues of $25,668,000. This compares to a net loss of $700,000 on revenues of $11,688,000 for the preceding year.

Thomas G. Fleck, chairman and ceo, noted operating losses for fiscal 1982 were actually $138,000—an 80% year-to-year improvement, since the net loss for 1982 included an extraordinary item of $700,000. That amount represents the establishment of a reserve fund during the fourth quarter to cover costs related to the closing of the company's Kansas City, Mo., restaurant.

In the fourth quarter Garcia's revenues were $6,457,000 and its net loss was $1,406,000, compared to revenues of $4,552,000 and net earnings of $94,000 for the closing quarter of 1981.

Fleck added the company's earnings performance has been affected by the depressed economy and startup costs for earlier chain expansion. During 1982 Garcia's grew from 10 to 16 units and signed a franchise agreement to build a restaurant in Anchorage, Alaska.

Since Jan. 2 the company has opened restaurants in Portland, Ore., and Puente Hills, Calif., near Los Angeles.

Four more units are now under construction for openings during the first half of the year in the Nashville, Tenn., Greenville, S.C., Cincinnati and Atlanta areas.

Fleck placed development costs for the average unit at about $2 million. Food cost averages currently are in the low 30% range; labor is in the low- to mid-20% range. The chain's continued expansion is an important factor in improving the company's earnings situation, Fleck said: "Obviously, with a broader base to reduce overhead as a percentage of sales our store margins will improve."

To coordinate continued growth Garcia's president and chief operating officer, Dennis B. Mullen, announced the promotion of real estate vp Wayne H. White to the position of group vice president with full responsibility for all phases of real estate, development and franchising. White had been with Victoria Station from 1974 to 1980, first as director of development and general counsel, and later as senior vp of development and general counsel.

Mullen said that by April 1 the company would consolidate its Oakland, Calif., office with Garcia's corporate headquarters in Phoenix, where White will establish his office. He also announced the promotion of Richard J. Peterson to the position of vice president of operations. Peterson had been a regional manager of the company. He takes over most of the duties of Richard B. Lipson, who resigned recently as executive vp of operations and as a company director.

Winners profit up 45% in '82

NASHVILLE—Winners Corp. reported a 45% increase in net profit to $2.2 million for the year ended Dec. 31, compared to 1981.

Revenues gained 14% to $83.1 million from 1981 to 1982, the company said.

Winners operates the Mrs. Winner's chicken and biscuit fast-food chain and is a franchisee of Wendy's.

Fourth-quarter net profit rose 44% to $664,000 and revenues gained 6% to $20.4 million, compared to the 1981 three-month period.

In addition, the company completed its divestiture of 40 of its 46 southern California Wendy's units in February. Wendy's bought back 25 of the units.

The transfer, which included the outright sale of 33 units, was valued at $12.4 million, $8 million of which was cash that was re-invested in expansion of the Mrs. Winner's chain.

At year-end 1982, Winners operated 64 Mrs. Winner's, franchised four more to other operators, and operated 59 Wendy's. By comparison at the end of 1981, Winner's operated 49 Mrs. Winner's and 95 Wendy's.

Hardee's reports 54% rise in third quarter profits

MONTREAL—Imasco Ltd. reported that its Rocky Mount, N.C.-based subsidiary, Hardee's Food Systems, increased operating profits by 54% to $20.2 million (Canadian) for the third quarter ended Dec. 31, compared to the same period in fiscal 1981.

Hardee's revenues increased 56% to $253.9 million from the 1981 quarter.

For the nine-month period, Hardee's operating profits rose 52% to $63.2 million and revenues advanced 58% to $770.5 million from the year-ago period.

Hardee's purchased the 700-unit Burger Chef chain of Indianapolis last year and now has about 2,100 units.

Taco Viva net up 78%

POMPANO BEACH, Fla.—For the six months ended Nov. 30, Taco Viva, operator of 40 Mexican fast-food restaurants, reported profits up 78% to $358,000, compared to $201,000 in the year earlier period.

An article in *Nation's Restaurant News*, Feb. 28 inadvertently misstated these figures.

Kelly-Johnston earnings blossom 139% to $498,700 in third quarter

OKLAHOMA CITY—Kelly-Johnston Enterprises Inc., a franchisee of Chi-Chi's Mexican-style dinnerhouses, reported a 139% increase in net earnings to $498,700 on a 178% jump in revenues to $11 million for the third quarter ended Dec. 31 compared to the year-earlier period.

The company operated 20 Chi-Chi's restaurants at the end of the 1982 calendar year, compared to seven units at the end of 1981.

Kelly-Johnston, the largest Chi-Chi's franchisee, also disclosed it had acquired franchise rights for Arizona and additional counties in Oregon, giving it exclusive development rights in that state.

Arthur M. Kelly, Kelly-Johnston president, said his firm's Atlanta restaurant has been sold to Chi-Chi's. Kelly-Johnston has franchise development rights in 11 states, mostly in the Sunbelt, and is building units in Fort Collins and Aurora, Colo., and Tallahassee, Fla.

McD borrows $75M on Eurobond market

OAK BROOK, Ill.—McDonald's Corp. is borrowing $75 million on the Eurobond market at a single-digit interest rate thanks to a strong American dollar and low-interest rates in foreign credit markets.

"McDonald's has been carefully evaluating long-term interest rates both domestic and international and is pleased to commence 1983 financing with single-digit interest rates," said Jack M. Greenberg, executive vice president and chief financial officer.

The fast-feeder plans to use the proceeds to refinance corporate debt and to fund expansion. McDonald's plans to open about 500 restaurants around the world this year.

The notes, at an interest rate of 9.78%, are priced at par for a 10-year term and will be callable after the seventh year. They will be issued by McDonald's Finance Co. N.V., the company's wholly owned finance subsidiary, which will reloan proceeds to McDonald's subsidiaries and affiliates.

Houston feeder sees impressive 4-yr. sales gain

NEW YORK—Texas Tumbleweed, a small Houston-based steakhouse chain, has been ranked as the 14th fastest-growing private company in America by Inc. magazine.

The 14-unit chain posted a 4,434% sales increase between 1977-1981 to $15 million, the publication reported.

Inc.'s recent roster of the 500 fastest growing private companies also included Golden Corral, the largest on its list in terms of sales. The Raleigh, N.C.-based steakhouse chain had 1981 sales of $108 million.

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MILITARY FEEDING

Getting in step with the times—Pages 43-49

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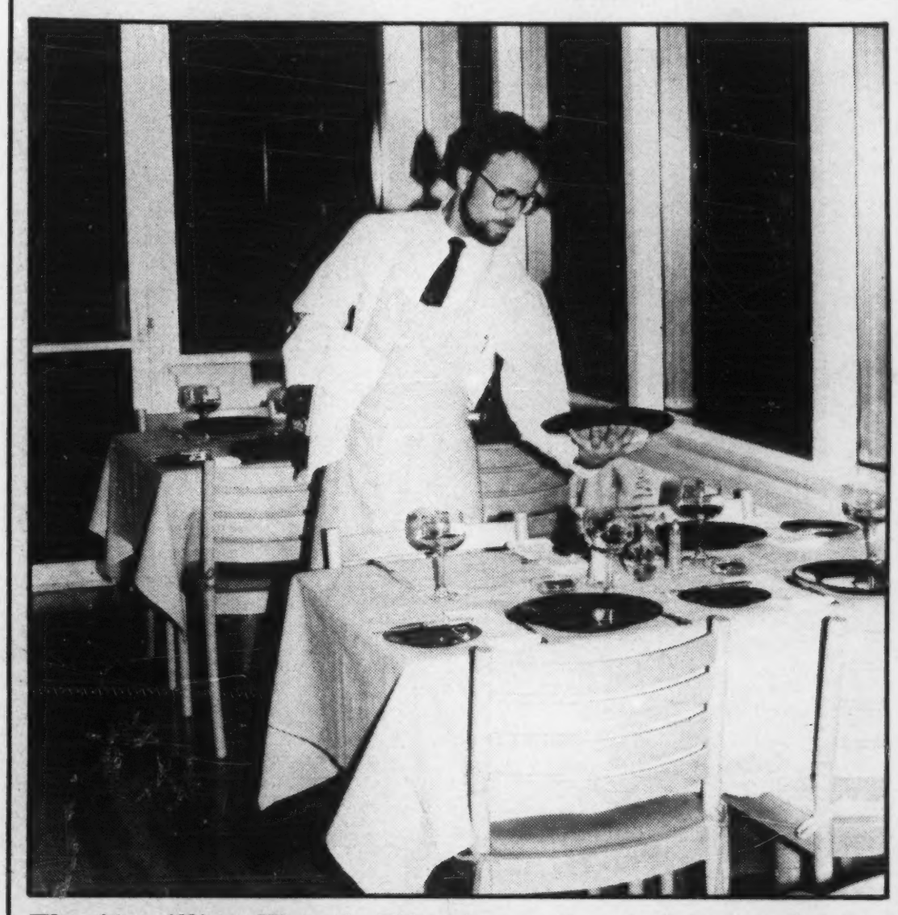

The $3 million Water's Edge is constructed on two barges joined together. Floor-to-ceiling windows on three ends provide spectacular views of New York City.

Water's Edge joins bustling competition along N.Y.C. waterfront

By Susan Spedalle

NEW YORK—Once a novelty, the number of waterfront restaurants here is rapidly growing and new entrants into the market will face stiff competition from as many as four such operations by early next year.

These multilevel glass enclosed concepts offering a postcard view from every seat include the veteran River Cafe opened five years ago in Brooklyn with a view of Manhattan and the six-month-old Water Club facing Brooklyn, which are both owned by Larry Forgione.

This summer the South Street Seaport project will be the home of the Coho Restaurant and by early next year the neighboring Battery Park City complex will house the Eiffel Tower Restaurant with a view of the Statue of Liberty.

Neither the competition, nor the monumental regulatory hassles, were enough to stop entrepreneur Tom Quinn from opening The Water's Edge in Long Island City last month.

(Continued on page 96)

Recession, unemployment squeeze family restaurants

Many turn to multiconcept strategies

By Joe Edwards

Many family restaurant operators are struggling to come up with winning strategies to help them compete more effectively in their recession-ravaged segment.

A weak national economy, high unemployment, the Federal tip reporting law, and increased competition from fast feeders, especially at breakfast, have contributed to problems at many family restaurant chains.

Some of the largest operators in the highly fragmented segment—Sambo's, Howard Johnson, Perkins and International House of Pancakes—appear to be suffering the most. Even Denny's, the undisputed segment leader, with 1,150 units and a reputation for solid operations, saw real sales slip 2% in the last six months of 1982.

A growing number of food-service companies whose major industry stake to this point has been in the family restaurant/coffee shop segment have been forming multiconcept strategies to protect their companies from continuing downturns in the segment.

Among those chains that are diversifying are Shoney's, Vicorp Restaurants (Village Inn), J. B.'s Restaurants (Big Boy), Howard Johnson, Frontier Enterprises (Jim's Coffee Shops), and Truckstops of America (Country Pride).

Shoney's Inc., a consistent top performer in the family restaurant segment, has had a longstanding multiconcept strategy. In addition to its 146 Shoney's Big Boys, the company operates 11 Towne & Country coffee shops; a fast-food seafood chain called Capt. D.'s; Fifth Quarter dinnerhouses, and its newest addition, Famous Recipe Fried Chicken.

"If one concept is having problems, the others can pick up the slack," explains Gary Spoleta, Shoney's president.

(Continued on page 12)

Appeals Court backs restaurants on employee meal deductions

By Ken Rankin

ATLANTA—The U.S. Court of Appeals shot down the Labor Department's controversial minimum wage law interpretation prohibiting restaurants from establishing mandatory employee meal credit programs.

Although the ruling establishes a potentially sweeping legal safeguard for restaurant operators throughout the country, the decision represents a particularly significant victory for a pair of Southeastern food-service chains.

Both Morrison and Davis Brothers Cafeterias had been ordered by Labor Department wage and hour enforcers to pay huge, retroactive back-wage settlements to thousands of minimum wage workers who were not given the option of accepting cash in lieu of meals.

In reversing a pair of district court decisions against the chains, the three-judge appeals court panel ruled that the Labor Department has no legal basis for requiring restaurants to offer employees a choice between meals or their cash equivalent.

The ruling appears to resolve a legal controversy between food-service operators and Federal wage-hour enforcers that has been simmering since Carter Administration officials issued a "social" interpretation of the Federal meal credit law.

The Fair Labor Standards Act allows restaurants to deduct the "reasonable cost" of meals served to employees from their wages. These meal deductions or "credits" are legal under F.L.S.A. even if they reduce the worker's hourly earnings below the Federal minimum wage level, as long as meals are "customarily furnished'" to employees by the company.

In the late 1970's, however, the Labor Department changed those ground rules without warning through a new regulatory interpretation of the law under which restaurateurs were prohibited from claiming meal credits unless workers are given the option of accepting cash instead of food.

The unannounced enforcement change caught hundreds of food-service operators by surprise, and many restaurants whose meal credit programs were challenged by the department were forced to make massive backpay settlements to workers.

(Continued on page 96)

Falling gas prices raise industry hopes

By Roman Czajkowsky

A sustained decline in gasoline prices coupled with OPEC's recent decision to reduce official crude oil prices, is likely to strengthen restaurants' profit margins, heighten investors' interest in restaurant stock, and pump some new vigor into the anemic summer tourism business.

These are some of the views of several restaurant industry observers, who recently publicly prognosticated about the gas price trend's effect on the restaurant business. But opinions differ on whether lowered gas prices would significantly impact overall restaurant sales.

In Baton Rouge, La., Ken Roberts, a fisheries economist, said cheaper gasoline for automobiles might stimulate the restaurant trade by getting people to drive more frequently to their favorite restaurants. At the same time, cheaper diesel fuel might somewhat reduce the cost of, for example, harvesting shrimp and therefore its price. According to Roberts, about 80% of the shrimp consumed in the United States is consumed in restaurants.

On the other hand, Michael Culp, a securities analyst with Prudential-Bache of New York, feels lower gas prices should not have any noticeable impact on restaurant traffic, particularly at fast feeders.

While conceding that a break in gas prices below $1 could lead to somewhat greater opportunities to eat out, "the exodus by most leading chains off the tollways over the past decade has reduced their dependence on auto usage, effectively limiting any gain to be had from an increase in the number of Sunday afternoon drives," Culp wrote in an advisory to restaurant stock investors.

Restaurant industry sales, in fact, appear to be "much more heavily influenced by the availability of gasoline" than its price, Culp added. In his view, long lines at the gas pump would be more damaging to restaurants than merely higher gas prices. But there's been plenty of gas available in recent years, so restaurant industry sales should not be "meaningfully" affected.

(Continued on page 96)

LATE NEWSBREAKS

McDonald's has removed McChicken sandwiches from menus in more than 3,000 restaurants due to weak sales and customer dissatisfaction. The sandwich is being "reformulated," according to a spokesman, and may be reintroduced. McChicken sandwiches are still on the menus in 1,000 units.

Omaha-based Godfather's Pizza, which has only 57 company-owned units in a chain of some 800, is boosting company operations with a projected acquisition of its 117-unit Minneapolis-based Pizza Ventures franchisee. Privately owned Godfather's is delaying a 1.5-million-share public offering at least until the Pizza Venture deal is completed.

Joseph Baum, a wide-ranging restaurant consultant for the last 4½ years, is opting to return to the operating side of the business with a proposed acquisition (for a reported $5 million) of Sardi's, a New York City Times Square "celebrity" restaurant, from Vincent Sardi Jr. Baum, who would continue as a consultant, was Restaurant Associates president in the 1960's and created the Windows on the World and Big Kitchen-Market Bar dining room complexes at New York's World Trade Center in the 1970's.

Wine list of the month: Le Delice—Page 54

Family restaurants catch diversification fever

(Continued from page 1)

Other forces besides the recession and fast-food competition are driving diversification strategies in the family restaurant segment.

Consumers are demanding fresher and more exciting dining-out experiences. Traditional coffee shops are finding it increasingly difficult to compete by merely offering hamburger, steam-table entrees, fried foods, and other standard items.

There also is a rekindling of the entrepreneurial spirit among operators of franchised coffee shops who want to become franchisors and operators of their own expansion-oriented concepts. And at least one major chain, Sambo's, is changing concepts as a matter of survival.

Diversification is not the only change taking place in the segment. Family restaurant chains have been revamping menus, testing and rolling out new products, modernizing older units, conducting discounting programs, acquiring competing chains for conversions, and even toying with beer and wine merchandising.

Salad bars, regional specialties, quiches, croissants, pita bread sandwiches, and nonfried foods are commonplace in many family restaurants. And new or remodelled units have the trappings of more contemporary upscale restaurants—hanging plants, light woods, skylights, tablecloths, food displays, and exhibition cooking.

At J. B.'s Big Boys, about one-third of the menu items have been added in the last two years. Howard Johnson is allowing unit managers to add local specials such as catfish, barbecued pork and crab cakes. Denny's reports success with new items such as fried zucchini, a line of salads and pita bread sandwiches.

It is diversification, however, that is beginning to change the basic makeup of some of the segment's major players.

Shoney's double-digit real sales gains in 1982 were in part due to its diversification strategy. Though its Big Boy coffee shops outperform much of the competition, Shoney's is looking to Famous Recipe for growth opportunities.

Acquired a little more than a year ago, the 200-unit Famous Recipe chain gives Shoney's a strong presence in the growth-oriented fast-food chicken segment. Famous Recipe will be expanded through franchising and the opening of company-owned units.

Another Big Boy franchisee, J. B.'s Restaurants based in Salt Lake City, is pursuing a diversification strategy that will take it into nearby Colorado and California—outside the company's franchise territory.

J. B.'s is developing two concepts, a dinnerhouse called Old Salt City Jail and a specialty restaurant called Apple Butter Farms. There are Old Salt units in Salt Lake City and Tucson and one Apple Butter Farms in Salt Lake City, with a second unit opening this summer.

Clark Jones, president of J. B.'s Restaurants, says two-to-five Apple Butter Farms and one Old Salt City Jail may open annually. Diversification, he says, is a way to boost sales and profits and offer mobility to company employees. And he doesn't want J. B.'s to be limited to one geographic area or segment, he adds.

Vicorp Restaurants Inc., operators and franchisors of 184 Village Inn Pancake Houses, is acquiring the 59-unit Poppin Fresh Pie Shops chain from Pillsbury. A Vicorp spokesman says the units will remain Poppin Fresh Pie Shops but will receive a Village Inn-style breakfast program.

Vicorp is also planning to open as many as 10 pub-style restaurants called The Rose this year in addition to two casual dinnerhouses known as Varieties and about a dozen family restaurants. Despite the three-pronged diversification, president Charles Frederickson insists that "the primary thrust of Vicorp has been and will continue to be the Village Inn Pancake House Restaurants."

In a bid to attract more non-truckers, Truckstops of America has converted its 32 truck-stop coffee shops to Country Pride family restaurants and scaled down the menus to only 37 items. The remodeled units have 125 seats and average annual sales of $1 million.

Shoney's diversification strategy seems to be paying off: The chain posted double-digit real sales gains in 1982

Truckstops of America also has opened a franchised Burger King restaurant at its Nashville truckstop and plans two more Burger King units this year.

San Antonio-based Frontier Enterprises has opened six new Jim's Coffee Shops in the last seven months and plans to add another three or four in coming months. But Frontier has several other concepts in Texas, including three drive-ins, a fast-food burger unit, a Red Pepper Family Restaurant, a full-service dinnerhouse called Tower of the Americas, and three Magic Time Machine theme restaurants.

Some family restaurant operators, battered by the recession and competition from fast feeders, are looking at concept changes and diversification as a way to escape serious problems in their core chains.

For Sambo's, the once-mighty segment leader, survival rides on the success of its two new concepts, Pleasers and Seasons. With the chain trimmed down to 600 or so units, Sambo's is spending $25,000 per unit on facelifts and name changes.

Howard Johnson has been busy developing its Ground Round budget dinnerhouse chain even as its 800 family restaurants languish with annual unit sales averaging only $575,000 and customer counts sagging. Once a dominant segment force, Howard Johnson now find sitself with a dated concept.

Howard Johnson and Sambo's are not alone with their problems. International House of Pancakes is being sold by its bankrupt parent, Wienerwald, and Perkins, a Holiday Inns subsidiary, continues to struggle.

Many factors have contributed to family restaurant troubles, the latest of which is the Federal tip reporting law. (The tip reporting law affects coffee shops more than any other type of restaurant and is causing bookkeeping and employee morale problems.)

A more serious problem, however, is the move by fast feeders into the breakfast market. McDonald's, for example, gets 18% of its $1.2 million average unit sales from breakfast. Some other fast-food chains do nearly as well.

Some observers consider it a major strength that family restaurants offer a more complete dining experience than fast feeders for about the same price. Others, however, note that "upscale" fast-food chains such as Roy Rogers and Bojangles are competing successfully with family restaurants by offering upgraded decor and expanded menus. And fast-food units are easier and less costly to build and operate.

Richard Marriott, restaurant group vice president at Marriott Corp., operator and franchisor of Big Boy and Roy Rogers restaurants, sees it differently. "Fast feeders are teaching customers to eat breakfast in restaurants," he says.

Several family restaurant chains are battling back at breakfast. One reason for Shoney's 10.8% real sales gains last year was the addition of an all-you-can-eat breakfast buffet. J. B.'s Restaurants Inc. has tested a similar buffet at two units and is rolling it out chain-wide.

Denny's is repeating its Grand Slam breakfast promotion that resulted in sales increases the first time it was offered last year.

To be sure, a number of strong national and regional family restaurant chains are staying away from diversification. Denny's, undisputed segment leader with 1,150 restaurants in 44 states and overseas, is attempting to boost market share through unit expansion.

The company has been acquiring failed Sambo's sites and smaller family restaurant chains for conversions and is also building units from the ground up. But with conversions costing $500,000, about half what a new unit costs, the company is clearly more interested in acquisitions.

Friendly, a Massachusetts-based chain, has been repositioned as a family restaurant chain and is benefiting from extensive promotions, unit upgrading and new product roll outs. In 1982, Friendly, a Hershey subsidiary, reported an 11% rise in sales to $335.8 milion. After adjustments for menu price hikes, average Friendly restaurants posted 5.5% real sales gains.

The company has standardized its menus and instituted a more consistent pricing policy at its 641 ice cream and sandwich shops, modified restaurants and family restaurants.

Bob Evans Farms Inc. is proceeding steadily with the slow expansion of its 93-unit Bob Evans Farms Restaurants that report average annual unit sales of $1.2 million.

The last year has been tough even for some of the strongest family restaurant chains. Real average unit volumes at Denny's slipped about 2% in the last six months of the year and were flat at Bob Evans Farms Restaurants.

'Many factors have contributed to family restaurant troubles, the latest of which is the tip reporting law. A more serious problem, however, is the move by fast feeders into the breakfast market.'

Though J. B.'s Big Boys "held up very well," Jones notes that the recession has not hit his trade area (Mountain States) as much as other parts of the country. And the company's remodeling program (at a cost of $116,000 to $278,000 per unit) has resulted in "remarkable sales increases."

Holiday Inns does not release financial data on Perkins but a spokesman says the 343 family restaurants have been experiencing improved customer counts.

The family restaurant/coffee shop segment is dominated by small chains and independents which have 88% share of market. The 18 top chains have only 12% market share. The five major family restaurant chains had total sales last year of only $3.4 billion.

Denny's, according to Vern O. Curtis, chairman and chief executive, has a 25% share of the top five family restaurant chains' sales compared with 16% in 1976.

SELECTED FAMILY RESTAURANT CHAINS

	Other Concepts	Number of Family Restaurants	Average Annual Unit Sales
Denny's	Winchell's Donut Shops	1,150	$907,000
Sambo's	Pleasers Seasons	600	n/a
International House of Pancakes	None	500	n/a
Friendly	None	641	$500,000
Howard Johnson	Ground Round	800	$575,000
Village Inn	The Rose Varieties Poppin Fresh*	184	$786,000**
Perkins	None	343	n/a
Shoney's Big Boy	Capt. D's Fifth Quarter Towne & Country Famous Recipe	146	$1 million
Bob's Big Boy†	None	200	$1 million
Bob Evans Farms	None	93	$1.2 million
J.B.'s Restaurants	Old Salt City Jail Apple Butter Farms	36	$829,000††

Source: Company reports and NRN estimates

* Vicorp Restaurants Inc., which operates and franchises Village Inn Pancake Houses, has signed an agreement with Pillsbury to putchase 59 of the 69 Poppin Fresh Pie Shops.

** Figure is for 57 company-operated units only.

† There are approximately 1,200 Big Boy restaurants, most of which are operated by 21 franchisees. Marriott Corp., the franchisor, has 200 company units trading as Bob's Big Boy on the East Coast and in California. These figures are for Marriott's company-owned units only.

†† Figure is for remodeled J.B.'s Big Boys. Units that have not been remodeled report unit sales of $714,000.

COMMODITIES

Rain has lingering effect on California crop prices

NRN Special Report

Some of early March's rain impact on California fruit and vegetable crops may have a long-term effect upon produce prices. Some crops weathered the rain with no anticipated problems except for the week or two when harvesting was held up, while others were hit hard by damage to the crop or to the plantings.

While tomato plantings were late, causing some tomato and tomato product packers to revise estimates for peak harvest periods, not much overall effect upon acreage is expected. Supply of fresh tomatoes for produce markets, on the other hand, will feel the effect about early summer, as some shortages will occur because of late crops.

California's strawberry crop has suffered, but the extent of the damage was not assessed as *NRN* went to press. There has been a failure of some berries to set and reports of crown rot in a number of fields. Cling peaches and apricots were also damaged. Mold and rot in blossoms may cut the crops of both fruits back, with apricots hit the hardest. This is on the heels of two disasterous years of apricot crops, with supplies the tightest canners have seen for several decades. Many canners are expecting to run short well before the fall canning season begins.

The rains and continual flooding of the fields in the Watsonville, Calif., area has killed some of the plants, according to the state agricultural officials. This, combined with some choke damage, could result in higher prices across the board for the West Coast product. Asparagus, too, is reported to be hit with some stalk rot, reducing expectations of a large, high quality yield.

A good part of the spinach crop is in jeopardy. There has been leaf edge domage and some rot showing up in the fields. This is likely to affect the fresh market more than canners, but prices are expected to rise, particularly for frozen product.

On the up side, peas showed no damage at all in preliminary estimates, and lettuce seemed to come through all right. Although the lettuce harvest was held up in the Salinas area for almost two weeks because muddy fields prevented access, the colder weather slowed the maturing and prices stayed fairly stable. Another factor was that Arizona fields, just coming into full production at the time of the rain, took much of the strain off the California growers. Arizona was hit with some rain, but it did not interfere greatly with harvesting.

Beef and Pork Prices Swing

The Lenten season has traditionally been one of decreased demand for beef and pork products. This interferes with the normal marketing of these red meats, causing swings in price wider than normal as the supply and demand phases get out of synchronization. It happened again in March, and the results are expected to be felt in volatile price ranges through most of this month.

While cattle on feed are down by about 10%-12% from last year, the number of animals coming to market have been higher, leading experts to anticipate shortages in supply around the end of spring or early summer. While there is traditionally a drop off in supply around that time, the tight condition of the pipeline this year is expected to cause ever greater price volatility.

(As beef prices rise, consumers cut back on purchases, causing supplies to pile up in the distribution pipeline. With such a perishable product, the processors then cut prices until the consumer is lured back to beef consumption. Then the demand uses up the surplus supply and the prices rise again. This repetitive cycle is referred to in this column as the "yo-yo" effect. This year it should be more pronounced than usual. Unfortunately, the food-service operator is at the mercy of the consumer market on meat.)

Almost the same story occurs in pork, but with a bit of a difference in the cause. With a much shorter raising period, hogs can be brought to market in quicker reaction to price swings. The producers, reacting favorably to a rise in hog carcass prices in early March, increased marketing. Predictably, this drove the price of carcasses, and therefore of prok, down. The distribution pipeline, however, is now fairly well

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PRODUCT MOVEMENT AT A GLANCE

	March 18, 1982	Feb. 18, 1983	March 18 1983
Beans, pinto, dry, Colorado (cwt.)	$14.50	$12.50	$12.25
Beef, Choice, 700-900 lb., Midwest (lb.)	$ 1.05	$ 0.96	$ 0.96
Broilers, Icepack, Grade A, NYC (lb.)	$ 0.4671	$ 0.4976	$ 0.4886
Coffee, green beans, Brazilian, NYC (lb.)	$ 1.42	$ 1.31	$ 1.28
Eggs, Grade A, large white, Chicago (doz.)	$ 0.78	$ 0.635-0.64	$0.645-0.65
Hams, canned, 12 lb. domestic (lb.)	$ 1.72-1.77	$ 1.64-1.71	$ 1.59-1.64
Pepper, black, NYC (lb.)	$ 0.80	$ 0.69	$ 0.65
Pork Loins, Choice, 14-17 lb., Midwest (lb.)	$ 0.96	$ 1.13	$ 1.11
Shrimp, white, shell-on, 16-20 ct., Gulf (lb.)	$ 6.90	$ 7.45	$ 7.35
Tomato paste, Fancy, 1.045, Calif. (6/10)	$12.90	$11.25	$11.75

Source: *NRN* Research

Prices listed are packers' f.o.b. plant, unless specified, and do not represent the prices paid by the operator. This list is only a reference to indicate price trends against benchmarks of one year ago and one month ago. Products listed are those showing marked movement in price.

Arby's rewrites franchise pacts in attempt to stimulate growth

By Rurick Telberg

ATLANTA—Arby's, a perennial straggler in fast-food battles, has just rewritten its franchise contracts. But it will take strong marketing savvy to get the 1,200-unit roast beef chain moving again.

The new deals levy a straight 3.5% sales royalty on franchised stores opened since Jan. 1. It replaces a five-year-old contract that offered franchisees a choice between paying a flat 3% or a sliding scale based on sales volume.

Most franchisees opted for the sliding scale, which was drafted on the assumption that sales would rise. They didn't, and as a result the typical payment never budged past 2%.

"The new licensing agreements will substantially raise the effective royalty rate over time," says Jeff McMahon, Arby's president. "But," he admits, "it will take time to do it."

Advertising fees remained untouched because they are negotiated through the Arby's Franchisee Association. But they may be the next deals to be revamped: Last year the $5 million budget amounted to less than 1% of systemwide sales.

Arby's franchisees are apparently betting that McMahon does have time to do it. Few, at least, have pulled up stakes and moved to another fast-feeder's tent.

But the franchisees, a vocal and independent-minded group who were forced to hone their skills when the chain went through bankruptcy in the early 1970's, appear deeply divided over the path to renewed growth. The chain, as a result, is involved in a painful reassessment of its market identity.

"There have always been two schools of thought about the marketing plan," says John Bohlsen, a Long Island, N.Y., franchisee who chairs the Arby's Franchisee Association. "One is 'We're a notch above the rest of the pack, and we cater to hamburger fatigue with a quality alternative.' The other is 'We try to be mainstream.' You have to add menu items to build sales."

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Unique Dutch Pantry lease deal could help end chain's dormancy

By Rurick Telberg

CAMP HILL, Pa.—A former Arthur Treacher's franchisee has taken over management of the dormant Dutch Pantry family restaurant chain using a unique leasing arrangement.

Nick Spithogianis, 44, who owned the Arhtur Treacher's franchise in New York from 1972 to 1978, is leasing the 53-unit chain from Harley Hotels of Cleveland and hopes to exercise an option to buy if he can turn Dutch Pantry's operations around.

Harley Hotels, a holding of New York real estate mogul Harry Helmsley, purchased the chain for an undisclosed sum in early 1982 from CPC International, a foodstuffs marketer which had owned the chain since 1969.

The chain's growth peaked in 1977 when it had 82 units, but Spithogianis said it has remained profitable and he hopes to expand operations into the New York area.

Spithogianis blamed the chain's lackluster performance in recent years on a lack of management leadership. "They never had a restaurant man in charge," he said.

Spithogianis said he bought the chain's inventory, but otherwise was leasing the real estate, buildings, equipment, and trade rights to the name. The payroll, however, was transferred over to Spithogianis from Harley Hotels.

Spithogianis said he had a three-year option to buy the chain from Harley. Meanwhile, he is paying $1.6 million a year for the chain, which, he said, earned net profits of $1.5 million on revenues of $30 million each year in the last two.

Many Dutch Pantry restaurants are located along interstate highways where tourists account for 40% of volume. Average annual unit sales run about $500,000 with per-person checks at about $3.50. Five to 10% of revenues come from the sale of souvenir and travel items at the restaurants' lobby gift shops.

Food costs, he said, run a low 30% because 90% of the menu is manufactured at the chain's 80,000-sq.-ft. commissary in Hummels Wharf, Pa., and shipped by a fleet of 12 trucks to the units as far as Florida.

Dutch Pantry also has a small hospital feeding subsidiary, called Kemberling Foods, which works out of the commissary.

Spithogianis said he was planning to open the first new Dutch Pantry in years at a converted Wuv's restaurant in Hicksville, N.Y., this spring. Five budget steakhouses which share lots with Dutch Pantry units, he said, were slated to be upgraded into higher-ticket dinnerhouses. And five units which had been closed for remodeling were due to reopen.

Among the best-selling menu items at the family restaurants, Spithogianis said, were chicken pot pie, meat loaf, Swiss steak, lasagna and veal parmigiana.

Spithogianis took the lease on the chain in December, after 2½ years of pursuing executives at Harley, he said. Harley's president of the operation, Gerald Schlosser, has taken another post at Harley.

Fifty-three Dutch Pantrys are currently in operation, down from 83 when the chain's growth peaked in 1977.

Ponderosa rolls out TV campaign

Office takes center stage to pitch new chain image

By Donald Frazier

DAYTON, Ohio—Dissatisfied with its traditional identity as a budget steakhouse chain, Ponderosa has rolled out a television advertising campaign stressing a varied menu and a lively, pleasant ambience.

The spots feature the company's president and chief executive officer, Gerald Office Jr., confidently striding through a light and airy looking unit while pitching Ponderosa's food and prices to smiling customers.

The campaign has two goals: to help maintain customer counts as Ponderosa reduces its dependence on promotional pricing, and to help pave the way for several new menu items now being tested, including a breakfast program.

More than 27 markets, mainly in the Midwestern blue-collar belt where Ponderosa's operations are concentrated, receive the new ads.

"The company is trying a balancing act with this campaign," according to Jack Avrett, the adman who coordinated it. "It wants to benefit from the high-quality image of a steakhouse, but it also wants to let people know that there's more there than just steak."

Thus, he explained, the ads' tagline: "The Biggest Little Steakhouse in the U.S.A."

The new campaign comes at a time when Ponderosa is undergoing steady increases in both customer counts and prices, according to Donald Jackson, executive vice president for the 686-unit chain.

"Yes, it is good sometimes to give price concessions," he conceded. A recession-stricken Midwestern economy made these necessary to retain business.

"But now, we think we've instilled the Ponderosa habit strongly enough that customers will come to us on their own," he said. Promotions accounted for over 30% of Ponderosa sales during 1982, Jackson said. The company hopes to reduce this figure "substantially," he added.

Ponderosa has enjoyed increases in customer counts while its competitors in the same markets have lost busi-

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